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Statement at  
Joint Technical Conference  
of the  
Federal Energy Regulatory Commission  
and the  
Commodity Futures Trading Commission  
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We briefly want to set the scene here. The energy markets are in severe financial distress. This is not a new observation. There is a loss of confidence in the markets and this is feeding on itself. There is a significant amount of debt coming mature in the next few years, and this makes for a strong need to move forward quickly to address the credit issues for the energy markets. A number of credit solutions are emerging and we look forward today to setting the context of how credit clearing and the alternative solutions work and to hearing some specific proposals around what may work for the energy market.

In our graphs, we have presented the fact that a combination of both long term debt and short term debt exceeding \$100 billion is coming due, just in 2003 (see attachment). This debt will need to be refinanced while the ratings of many companies continue to move in a negative direction. The little activity this year (2003) indicates more of the same regarding ratings; we have not yet begun the turnaround.

Counterparty risk management, whether through clearing or other solutions, is a necessary part of rebuilding trust. The beginnings of economic regulation were about trust

busting. Now, we need to do trust building. And a big part of why we want to achieve this trust building is to gain greater market liquidity which is essential to the competition the Commission hopes to foster.

In the solutions that we have seen so far, there is responsiveness to the needs of the energy markets, but nobody has quite "hit the nail on the head" yet. We hope that we can accelerate the conversation so that those offering solutions and those needing help can communicate more efficiently about the needs and how to address them. And so, today's conference will review some of those solutions, try to help all of us understand the advantages and disadvantages of the possibilities in the context of the energy markets, and again, help the industry and the Commission move forward expeditiously. In addition, to the extent that industry sees other roles for either of our Commissions to take to move this matter forward quickly, we hope to hear those suggestions today.

I would say to our audience that I know many counsels and Washington representatives listen to these conferences. One thing that I've heard more than once is that this subject may not be getting attention at the CEO level, that this is viewed as a back office problem. I would like to urge you to bring it to the attention of your CEOs because I think that it is a matter that needs high level attention, if it is to move forward in a timely way.